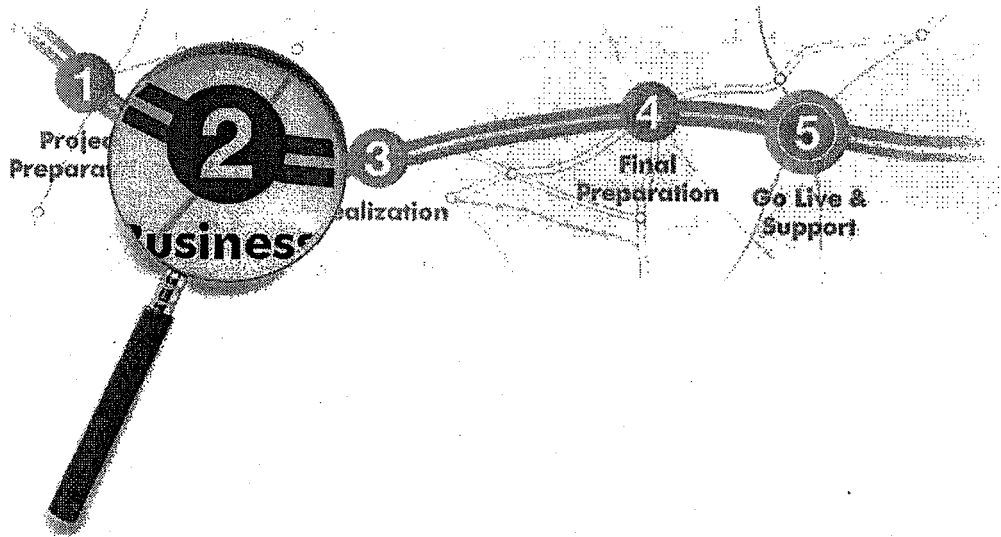

Design Review

SAP® Review Program



Prepared for:



Blueprint Phase

May 20–21, 2008

Prepared by: SAP Public Services



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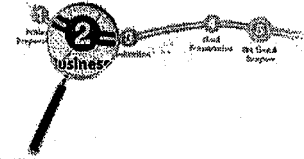
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Introduction

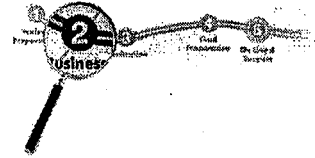
The Design Review Service, developed by the platinum consulting group of SAP® Consulting, provides the SAP customer with an independent and objective review of business processes, application configuration, and current productive implementations of SAP software.

The Design Review Service:

- Focuses on the project team structure and functional application
- Assesses the functional areas upon which the project should focus and identifies the associated risk areas
- Provides business-application expertise to highlight potential problem areas for the project team early in the implementation process
- Analyzes the project team to ensure assignment of the correct resources to the project
- Reviews project schedules and implementation documentation to assess the progress made by each subteam
- Examines business procedures with the customer and provides a high-level review of configuration
- Might also look at systems configuration, depending upon the length of the Design Review

As presented to the customer, the Review includes the following:

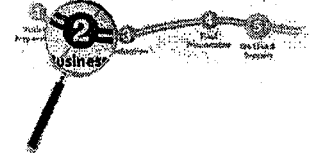
- General team observations
- Process overview assessment
- Strengths
- Areas for improvement
- Risks
- Recommendations



This Design Review document includes a summary of findings and details of findings, identifies the areas of potential risk, and notes the recommendations of the Design Review Service. The present document includes the following sections:

- Executive Summary
- Summary of Findings
- Details of Findings

As listed, each section offers an examination of the material in greater detail.



Executive Summary

Background

The City of San Diego (CoSD) has 1.25 million residents: it is the eighth-largest city in the United States and the second-largest city in California. CoSD needed a new system to replace 30-year-old mainframe systems that lacked appropriate internal controls. A 2004 report by the Securities and Exchange Commission highlighted the need to improve internal control over financial reporting and produce more accurate and timely Comprehensive Annual Financial Reports (CAFRs). The Kroll risk consulting company conducted an investigation in 2006. Remediation concerns noted in the Kroll report highlighted the need to integrate a wide range of financial and human resources business processes into a single system to improve management efforts and financial reporting at the City.

CoSD chose the mySAP™ ERP 2005 application to integrate and transform CoSD financial and human resources business processes, operations, and systems. CoSD engaged the leadership and expertise of San Diego Data Processing Corporation (DPC). DPC provides IT services and information technology solutions to the City of San Diego.

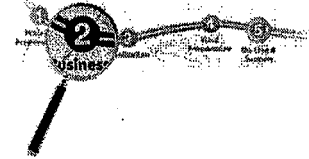
The implementation of SAP software began with the start of the OneSD Project in October 2007. The CoSD selected Axon Consulting to lead the OneSD implementation. The actual start of the project was delayed for one month because of fires within San Diego. The project restarted in November 2007, targeting go-live for finance on October 1, 2008 and a go-live for human resources on November 1, 2008. The OneSD team has spent the last five months on the blueprint phase. CoSD requested an SAP Design Review to validate the blueprint and project management concerns.

Components Reviewed

This Design Review included interviews with key team members and reviews of project documentation listed in Appendix II. In addition, a project review was also conducted to review project management processes and adherence to implementation methodology.

The report covers the following components:

- Financials (FI) – general ledger, accounts receivable, and accounts payable
- Materials management (MM)
- Funds management (FM)
- Grants management (GM)



- Project system (PS)
- Human resources (HR) – time management (TM)
- Human resources (HR) – payroll
- Human resources (HR) – personnel administration/personnel development (PA/PD)
- Project review

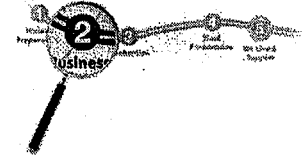
Overall Assessment



= Puts project at risk: further investigation or follow-up by client required

Overall, the two most significant risk areas to the OneSD project are the need to provide more detail on the to-be business processes in the blueprint and the need for sound project management processes. These risk areas must be addressed before the start of the realization phase. The blueprint developed to date does a good job of providing a high-level overview of the to-be business processes, but it does not reflect detail on the to-be business processes or clearly state the business intent within SAP software. For example, the PA/PD blueprint defines employee master data: last/first name, dependents, beneficiaries, date of birth, and so on. But the blueprint does not define how employee master data would be updated. The blueprint must clearly define the business processes to facilitate the development of key project deliverables and work products in the realization phase: system configuration, technical specifications, change management impacts, end-user role identification, and business process procedures.

In addition, the blueprint does not reflect process integration. The FM blueprint is well-documented and the design appears to be appropriate from a purely FM perspective. However, the integration of FM with other financial components must be discussed, agreed upon, and documented. A key integration area that must be addressed is the need for a funds management derivation strategy which requires integration with controlling (CO), FI, GM, HR, and PS. Each area has a different idea of what is required and what would be derived. Unless the FM derivation strategy is properly defined, CoSD risks the development of overly complex and conflicting rules for derivation. In accordance with the ASAP methodology, the blueprint confirms the business process scope that must be implemented in the realization phase. The blueprint does not include a list of gaps, change impacts, and functional specifications for reports, interfaces, conversions, enhancements, forms, and workflows (RICE-FW). Although the statement of work (SOW) does not require a list of gaps and functional specifications for reports, enhancements, forms, and workflows, it does require conversion and interface specifications and high-level change impacts. In addition, the SOW also specifies the use of SAP Supplier Relationship Management (SAP SRM). There is no mention of SAP SRM within the blueprint.

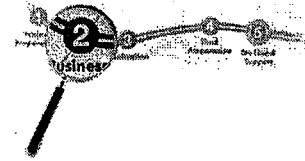


Regular reviews of the SOW to ensure that project deliverables and milestones are being met are a key function of project management.

OneSD lacks efficient project management processes and practices. Three key project management deficiencies are: no updated project schedule, lack of adherence to an issue management process, and ineffective team communication. The project does not have a comprehensive project schedule that outlines the key milestones for the project. Overviews at the kickoff of the Review highlighted the project as a 12-month implementation with a go-live on October 1, 2008. Based on interviews, the team has spent five to six months developing the blueprint, from mid-November 2007 to April/May 2008. Using the 12-month timeline, OneSD has six months to complete the realization, final preparation, go-live, and support phases. A review of several project schedules validated that a go-live on October 1 cannot be achieved. Six different project schedules are compressed into a single ZIP file. Each project schedule has a different go-live date with different start and end dates for each phase. Each project schedule appears to be a snapshot in time that does not reflect dependencies and critical path determination. As a result, a true depiction of where the project is in accordance with the project schedule cannot be determined. In accordance with the Project Management Institute (PMI), a project schedule must clearly define the work breakdown structure (WBS) required to complete project tasks and associated milestones. The lack of a comprehensive project schedule that is regularly reviewed will negatively affect the cost, schedule, scope, and performance of a project.

The OneSD project also lacks adherence to an issue management process. An issue management process is outlined with the SOW. However, the team does not appear to follow an issue management process and could not recall the process. Issues are logged in the APSE repository, but are not reviewed by project management. The logging of issues is viewed as a black hole by the team. To get feedback and guidance on issues, the team attempts to e-mail project management or catch staff in the hallway. Issues are not managed by the project management office (PMO) or given priority for tracking, monitoring, and resolution. In addition, the team lacks effective communication to discuss issues, project status, and upcoming project milestones. Weekly team lead meetings with project management have often been cancelled and are described as brief (under 30 minutes) sessions that involve only one-way communication. The project does not appear to be following a communication plan that outlines approaches to provide and receive communication to and from OneSD and CoSD. The communication plan was unavailable for review. Further, the project issues list states the lack of an approved communication plan as a critical issue that was due on March 31, 2008. However, this issue was still open and unassigned at the time of the Review. Effective communication throughout all levels of the project is essential.

The actual time commitment of CoSD and DPC resources do not reflect the resource requirements outlined within the SOW. The SOW appears to be adequate, requiring each functional area to have at least a full-time subject matter expert (SME) from CoSD and DPC. Although the SOW does not specify resource requirements down to the department level, the team appears to have had regular engagement to date from other CoSD resources external to the project team. During the Review, several teams raised a concern about part-time SMEs. The project does not maintain a resource plan outlining current and future resources, proposed start and end dates, and the time commitment of resources to the project. As a result,

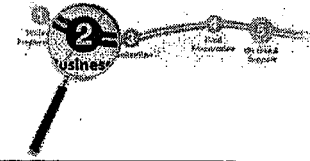


identification of any CoSD and DPC resource deficiencies is impossible. The role of CoSD and DPC resources in the realization phase must be established. It has not been determined who will be responsible for receiving knowledge transfer on configuration of SAP software. This decision is ultimately coupled with the strategy for postproduction support: Will support be outsourced, provided by DPC, or be a combination of SMEs from CoSD and DPC? CoSD SMEs will serve as the data owners and be responsible for driving data-cleansing efforts within the legacy systems. Data cleansing will require a substantial time commitment to plan, update, and monitor. Full-time dedication of CoSD and/or DPC SMEs will be required to support system configuration; RICE-FW review; unit, cycle, integration, and technical testing; end-user training; and change management.

Summary of Recommendations

Overall Recommendations for OneSD Blueprint

- Update the blueprint to reflect end-to-end business process integration and focus on end-to-end business processes, the identification of RICE-FW objects, and better facilitation of gaps.
- Review the blueprint and confirm which processes will require a workshop to define the to-be business process and processes that simply need to be documented. Identify and schedule the integration workshops that must occur. Once a complete list of open blueprint items is identified, plan the effort required to complete the blueprint. Estimate the time required to conduct workshops, document the to-be business process updates, develop functional specifications, identify change impacts, and obtain sign-off.
- Consider including a list of gaps with the final blueprint.
- Consider development of a blueprint CD to aid in the organization and distribution of the blueprint for review.
- Consider having change management and development teams attend any additional workshops that are scheduled.
- Secure (in the best case) an integration manager with experience in implementing SAP software at state and local governments who has previously served as an integration manager. That is the ideal candidate. If the ideal candidate is unavailable, at a minimum, secure a resource with cross-functional experience in SAP software who has strong leadership skills. The integration manager must be full-time and dedicated to integrating both the functional and technical aspects of business processes.
- Review the RICE-FW list to validate required updates upon completion of the blueprint. Review the list of conversions to ensure that it is complete and in alignment with the scope defined in the blueprint. Review the blueprint in accordance with the SOW to validate that contractual requirements have been met.



Overall Recommendations for Methodology

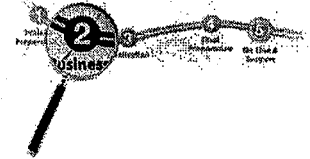
- Revisit the big-bang implementation strategy. A staggered go-live for finance first, followed by human resources is a sound approach. Plan the go-live for payroll at the end of a quarter or fiscal year. The go-live for payroll should be at least four months after finance. That will allow time for finance to stabilize and minimizes the risks of incorrect financial information within HR.
- Ensure that the implementation approach is financially viable and that CoSD can support it. Assess the resource commitments and change impacts to confirm CoSD's ability to support the approach.
- Hold a project management session to review the implementation methodology in accordance with the project schedule and highlight the outcomes of the blueprint and key milestones associated with completing the blueprint. The objective of this session should be to confirm that everyone is on the same page and managing expectations. Consider having an abridged version of this session with the team leads and executive steering committee so that the path forward to complete the blueprint phase is clearly understood.

Overall Recommendations for Financials (FI)

- Address the journal entry process related to parking and budget checking; finalize the strategy for conversion of the general ledger (GL) balances as part of the comprehensive conversion strategy for all areas. Do not convert detailed transactional data. The overall design of the GL appears to be thorough and consistent with best practices for SAP Public Sector.
- Address the significant shortcomings in accounts payable (AP) before realization begins.
- Arrange for a more complete review of accounts receivable (AR) that includes cash management. This Review was conducted at a very high level because of time constraints. The complexity of AR processes and interface requirements demand more attention.
- Dedicate City resources from the GL, AP, and AR teams to the project on a full-time basis.

Overall Recommendations for Materials Management (MM)

- Update the MM blueprint to provide further detail on the to-be business processes. Ensure that the blueprint updates include integration with financials (FI), funds management (FM), and accounts payable (AP). The materials team has made a good first pass at creating a blueprint document for the City of San Diego. In general, the blueprint documents are written at a very high level and provide a basis for understanding standard SAP functionality. Process flows have been created for the standard processes areas to depict the most common steps to be taken to complete a task. The process flows have been incorporated into the blueprint documents.



- Target completion of functional design specifications (FDSs) for the end of the blueprint phase and no later than early in the realization phase to confirm the estimated development hours. The materials team has identified 24 RICE-FW objects according to the project summary of estimated hours spreadsheet. No FDSs for the RICE-FW objects identified were developed. The Review team was told that the Axon implementation methodology does not include this level of detail in the blueprint.

Overall Recommendations for Funds Management (FM)

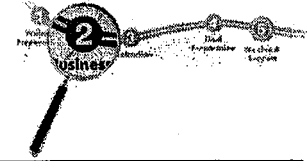
- Complete the business process design for the funds management derivation strategy.
- Actively participate in integration team meetings and include a conversion strategy for legacy data.
- Have the funds management team lead the effort to find and document a solution for multifunded projects.

Overall Recommendations for Grants Management (GM)

- Complete the business process designs for budgeting, billing, data conversion, and grants ledger.
- Complete the functional specification for the reports needed and validate that current data mapping of the grants master data section is sufficient based on reporting requirements.
- The grants management team must actively participate in integration sessions to design the more complex grant integration issues successfully: multifunded capital grant projects, interest allocation, and standard and actual rates for billing.

Overall Recommendation for Project System (PS)

- Include at least one dedicated full-time and one part-time resource from the capital improvement project division and allocate an additional resource from the accounting and controlling department to the OneSD team.
- Reconsider the decision to continue use of Primavera for project planning and scheduling.
- Make substantial improvements to the integration of the PS team with the funds management (FM), finance/controlling (FI/CO), grants management (GM), human resources (HR), and asset management (AM) teams.
- Give immediate attention to the functional specification documents for RICE-FW objects because none are available for review – even at a high level.



Overall Recommendations for Human Resources (HR) – Time Management (TM)

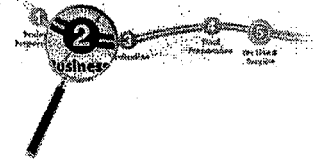
- Decide on ownership of the FMLA workbench so that automatic calculation can be performed to determine if an employee is eligible for FMLA.
- Identify and document all the RICE-FW objects before the realization phase. A failure to do so will mean that the required objects might not be identified and approved for development.
- Finalize end-user training plans. End users need to understand how to enter their time into CATS so that they can enter correct time for their attendances, absences, overtime, and so on.
- Decide on authorizations for who will create, view, and change employee data. Such data is very sensitive and shouldn't be accessed or viewed or changed by others.
- Take steps to complete the blueprint documentation: it is still at a high level and incomplete in accordance with ASAP methodology.

Overall Recommendations for Human Resources (HR) – Payroll

- Avoid delay on the FI or HCM sides of the project. A delay on either side will affect the other, causing bridging work that will be replaced when both systems are production.
- Make training and business policy decisions in a timely manner to prevent delays in the planning and design of basic functionality within the time and payroll systems. Integration with the FI/CO project is critical to the payroll project, and represents the greatest risk to an on-time and successful implementation.
- Complete the blueprint: it is now incomplete according to ASAP methodology. The blueprint gives a high-level view of the project, but details such as RICE-FW functional specifications and data maps are not documented.

Overall Recommendations for Human Resources (HR) – Personnel Administration (PA) and Personnel Development (PD)

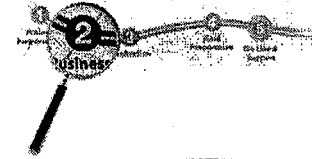
- Provide a detailed blueprint document that clearly defines the scope and to-be processes in SAP software.
- Approve the enterprise structure, including the organizational structure, immediately.
- Reach out to other state and local government users of SAP for Public Sector for information, processes, and design to gain insights into other solution alternatives.
- Standardize levels of approvals throughout the City of San Diego. There is currently resistance from departments to standardize.



- Complete an understanding of integration and how it will affect each module of SAP software: benefits, payroll, personnel, time, and finance. Sharing master data is a new concept and is understood incompletely.

Overall Recommendations for Project Review

- Review the project schedule to confirm the project timeline and associated scope upon completion of the blueprint. Establish a project schedule that covers the key milestones for the entire project. Each subteam (FM, MM, PS, and so on) will likely have its own project schedule, but the PMO must maintain an overall project schedule. Consider engaging a resource with Microsoft Project experience to manage the project schedule on a full-time or part-time basis.
- Review and improve the issue management process in the SOW. Consider PMO establishment of initial issue assignment and policy and change determination. Issues should be assigned by the PMO to the appropriate team lead, who then assigns the issues within the team where applicable. Integrate the escalation process within issue management to show the path for issue escalation. Issues raised above the project management level should include appropriate supporting documentation that outlines the pros and cons; potential cost, schedule, and resource impacts; and the recommended course of action. That will facilitate quicker and more effective decisions by CoSD leadership.
- Schedule weekly team lead meetings. Make this meeting a priority, ensuring that a weekly meeting occurs even if the day of the week has to shift periodically to accommodate other ad hoc meetings. The team leads are closest to the day-to-day management of project tasks.
- Review the existing communication plan and refine it in accordance with the change management plan. Confirm the approaches taken to facilitate internal and external communication on the status of the project.
- Develop a resource plan for the project and outline the current and future resources by role. Denote the start and end dates for each resource and resources' time commitment as full-time or part-time. Review the resource plan against the SOW and confirm any updates required to support approved project scope defined in the blueprint.
- Develop a postproduction support strategy and establish who will provide support.
- Establish a CoSD or DPC resource who will serve as the data manager responsible for coordinating data cleansing with the identified resources within each department. The data manager must regularly monitor, resolve or escalate data-cleansing issues, and report on the status to ensure that the data-cleansing effort stays on track.



Summary of Findings

A **Topic Rating** describes the overall state of the topic reviewed:



= Design appropriate in this area



= Further investigation or work required by client

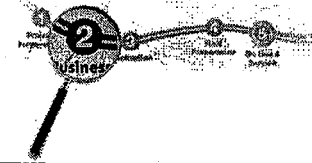


= Puts project at risk: further investigation or follow-up by client required

The **Risk Level** indicates how the approach or design described in a finding affects the success of the implementation if it is left as is.

- High:** A critical issue that should be addressed before the go-live. It might affect a successful go-live if left unchanged.
- Medium:** A serious issue: you may go live with it, but you are likely to experience numerous problems.
- Low:** A minor issue: try to fix the area before going live if there are no other pressing issues.
- None:** Not an issue: the reviewer examined the area, but found everything in order and made no recommendation. The item is included here for the sake of completeness.

The **Address-By Date** indicates the time by which the client should address, complete, or resolve the finding to help ensure a successful go-live.



Financials (FI)

General Ledger (GL) and New GL

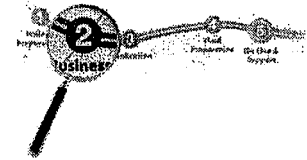
Overall Component
Rating



Reasons for Rating

- The GL team seems to have good understanding of SAP for Public Sector. The consultant is an SAP-Certified Integrator of SAP for Public Sector.
- The master data design is sound with a few exceptions (as noted).
- Correct the journal entry process related to parking and budget checking.
- Finalize the strategy for GL balance conversion, avoiding conversion of detailed transactional data.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Organizational Structure Definition		<ul style="list-style-type: none"> ▪ Use of company code and business area 	Low	Before baseline configuration
GL: Master Data Design		<ul style="list-style-type: none"> ▪ Chart of accounts 	High	Early in realization
Functional Area Design		<ul style="list-style-type: none"> ▪ Functional area design 	Medium	Before realization
Basic Functions and Processing: GL		<ul style="list-style-type: none"> ▪ GL journal entry process 	Medium	Before realization
Month- and Year-End Process Design		<ul style="list-style-type: none"> ▪ Month- and year-end process design 	Medium	Before integration testing
New GL		<ul style="list-style-type: none"> ▪ New GL split processor design 	High	Start of realization



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
GL Conversion, Interfaces, and Enhancements		<ul style="list-style-type: none"> GL balance conversions GL enhancement 	High Medium	Early realization Early realization

Accounts Payable (AP)

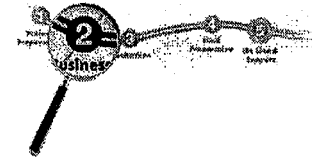
Overall Component Rating



Reasons for Rating

- The AP consultant was unavailable during the Review, and the City resource is dedicated only 75% to the project.
- Integration of master data maintenance between AP and MM seems unclear.
- The decision to decentralize AP invoice entry should be carefully considered.
- Several significant AP-related business process are vaguely defined or missing, including tolerances, third-party payments, retainage, budget check on parked (incomplete) AP invoices, and holding or blocking of invoice receipts posted before the related goods receipts.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Accounts Payable (AP): Vendor Master Data Design		<ul style="list-style-type: none"> Vendor master data maintenance 	Medium	Early realization
Basic Functions and Processing (AP)		<ul style="list-style-type: none"> AP invoice processing AP invoice processing: other 	Medium High	Before realization Before realization

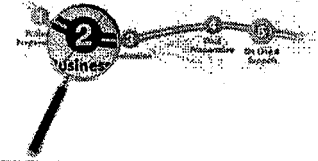
**Accounts Receivable (AR)**

Overall Component
Rating

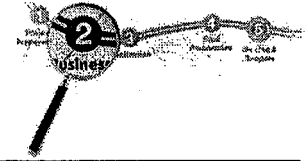
*Reasons for Rating*

- The AR consultant has changed three times since the start of the project. The City resource is dedicated only 50% to the project.
- The time constraints of the Review prevented a detailed examination of blueprint documents and processes. The Review therefore contains only high-level findings and recommendations.
- The complex nature of the required AR processes and interfaces warrants a more complete review to ensure that requirements can be met and the development effort accurately estimated.

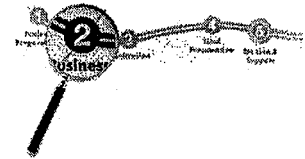
Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Accounts Receivable (AR)		<ul style="list-style-type: none"> ▪ General comments 	High	As soon as possible
Customer Master Data Design		<ul style="list-style-type: none"> ▪ Customer master data design 	Medium	Realization
Basic Functions and Processing (AR)		<ul style="list-style-type: none"> ▪ AR functions and processing 	Medium	Before realization
AR Interfaces and Forms		<ul style="list-style-type: none"> ▪ AR interfaces ▪ AR billing forms 	High Medium	Realization Before and during realization



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Organizational Structure		<ul style="list-style-type: none"> Level of detail in blueprint 	High	Early in realization
Logistics Master Data		<ul style="list-style-type: none"> Conversion functional specifications missing Level of detail in blueprint Inclusion of as-is and to-be 	High Medium None	Before realization Early in Realization None
Purchase Requisition		<ul style="list-style-type: none"> Definition of document types Definition of release strategies and workflow Use of P-card Procurement of assets Requisition RICE-FW objects 	Medium Medium High Medium Medium	As soon as possible As soon as possible As soon as possible As soon as possible Before realization ends
Request for Quotation		<ul style="list-style-type: none"> Definition of forms Functional conversion specification 	Low High	As soon as possible As soon as possible
Purchase Order		<ul style="list-style-type: none"> Functional conversion specification Emergency PO to accommodate P-card purchases Definition of release strategies and workflow Integration with finance 	High Medium Medium High	As soon as possible As soon as possible As soon as possible As soon as possible



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Contracts (Purchasing and Construction)		<ul style="list-style-type: none"> SAP SRM and SAP procurement for Public Sector Functional conversion specification Contract type and numbering RICE-FW object definitions 	High High Medium Medium	As soon as possible As soon as possible Before end of realization As soon as possible
Receiving		<ul style="list-style-type: none"> Process definition 	Medium	As soon as possible
Inventory		<ul style="list-style-type: none"> Functional conversion specification GR/IR slip and service entry sheet Consumption-based planning (MRP) RICE-FW object definitions Functional specification for conversion of historical material movements 	High None Low Medium Medium	As soon as possible None Early in realization As soon as possible As soon as possible Physical in
Physical Inventory		<ul style="list-style-type: none"> Standard functionality Functional specification for conversion of historical physical inventory 	None Low	None As soon as possible



Funds Management (FM)

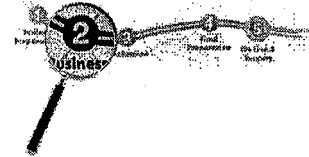
Overall Component
Rating



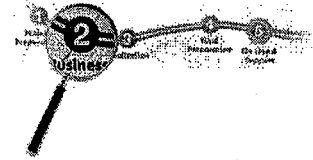
Reasons for Rating

- Overall, the blueprint for the funds management module is complete and well thought out. The design is incomplete only because of integration issues that must be managed by an SAP-Certified Integrator of SAP for Public Sector – issues that the FM team cannot address on its own.
- Integration with other project teams is critical to the project and represents the greatest risk to a successful implementation. Team integration during the current phase of detail design is less than optimal, and erroneous assumptions concerning the total business process seem likely.
- Project management processes that represent and focus on integration are critical to success.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Funds Management Derivation		▪ Funds management derivation	High	As soon as possible
Controlling Objects in FM Tables		▪ Add the CO object to FM	Low	Before realization ends
Multifunded Projects and Grants		▪ Design for multifunded projects and grants	Medium	Early in realization
Budget Preparation		▪ Transition budget preparation in FMIS	Medium	Before realization ends
Legacy Data Conversion		▪ Legacy data conversion	High	Before realization ends



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Financial Integration		▪ Integration issues	High	Before realization begins



Grants Management (GM)

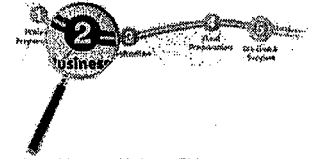
Overall Component
Rating



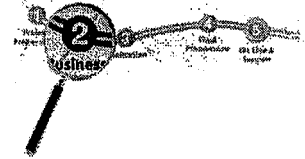
Reasons for Rating

- Overall, the blueprint design of the grants management (GM) module is complete and has sufficient detail to provide the needed data to move forward with the realization phase with a few detailed exceptions.
- Integration between modules has been insufficiently designed during the blueprint phase.
- Integration with other SAP modules is critical to the design of grants management and represents the greatest risk to a successful implementation.
- Team integration during the current phase of detail design is less than optimal, and erroneous assumptions concerning the total business process are evident.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Grant Master Data and General Settings		<ul style="list-style-type: none"> ▪ Grant types ▪ Customer-defined fields in grant master data ▪ Derivation of sponsored program ▪ Sponsored program for CDBG grants ▪ Grant award type ▪ Grant life cycle: outgoing grants ▪ Grant-funded assets 	<p>Medium</p> <p>Medium</p> <p>High</p> <p>High</p> <p>Medium</p> <p>Medium</p> <p>High</p>	<p>Early in realization</p> <p>Early in realization</p> <p>Early in realization</p> <p>Early in realization</p> <p>Early in realization</p> <p>Early in realization</p> <p>Early in realization</p>
Grant Ledger		<ul style="list-style-type: none"> ▪ Grant ledger design 	High	Before realization begins



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Grant Budgeting		▪ Budgeting process	Medium	Early in realization
Grantor Functionality		▪ Use of grantor functionality from SAP	Low	Early in realization
Grant Life Cycle		▪ Grant life-cycle business process reengineering	High	As soon as possible
Grant Billing Process		▪ Grant billing process	High	As soon as possible
Grant Data Conversion		▪ Legacy data conversion	High	As soon as possible
Grant Life Cycle		▪ Integration with other modules	High	As soon as possible



Project System (PS)

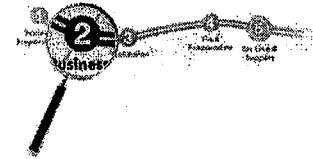
Overall Component Rating



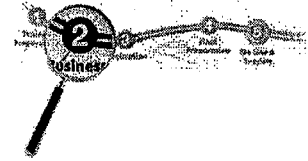
Reasons for Rating

- The current project team structure has one full-time staff member from the comptroller's office without any plan for a back-up resource. In addition, there is no representation from the capital improvement project department, which is the largest user of the PS module. This situation has resulted in decisions being made up-front without proper training or education on the various tools and functions available in the PS module.
- Functional specification documents for RICE-FW objects are unavailable even at the highest level, which will add additional workload during the realization phase.
- Change management is lacking and key decisions are made without properly employing sound change management techniques. That will result in a nonintegrated design that is unsuitable for embracing future roll-outs without any major hardships.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Project Staffing		<ul style="list-style-type: none"> ▪ Increase the size of the project team in PS 	High	Immediately
Project Planning and Scheduling		<ul style="list-style-type: none"> ▪ Decision to use Primavera for project planning and scheduling 	High	Immediately
Functional Specification Documents for RICE-FW		<ul style="list-style-type: none"> ▪ No functional documents available for RICE-FW 	High	Immediately



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Integration with Other Modules		<ul style="list-style-type: none"> Integration with FM, GM, FI/CO, AM, and HR teams 	High	Immediately
Custom PS Report by Funding Source		<ul style="list-style-type: none"> Custom PS report for commitments and actuals by funding source 	High	Immediately
Overhead Allocation for Projects		<ul style="list-style-type: none"> Current labor rates 	Medium	As soon as possible
Split-Funding Requirements for Project Expense line items		<ul style="list-style-type: none"> Split-funding functionality 	Medium	As soon as possible
Appropriation Request for Capital Projects		<ul style="list-style-type: none"> Investment management for planning and execution of appropriation requests 	Medium	As soon as possible
Project Billing		<ul style="list-style-type: none"> Resource-related billing 	Medium	As soon as possible
Project Team Member Training		<ul style="list-style-type: none"> Project team member training 	Medium	As soon as possible
Budgeting for Projects – PS or FM Budget		<ul style="list-style-type: none"> Budgeting in FM with funded program equal to the project amount 	Medium	As soon as possible
Year-End Activities for PS		<ul style="list-style-type: none"> Year-end activities in PS not identified 	Medium	As soon as possible



Human Resources – Time Management (TM)

Overall Component
Rating

Reasons for Rating

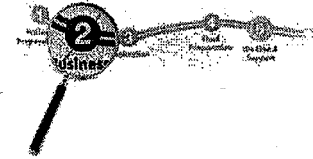
- The time team includes personnel from prior projects with business process knowledge, which helps it gather requirements and implement the business requirements in SAP software.
- Decisions must be made on ownership of the FMLA workbench, transfer from CATS to CO (not yet finalized), workflow, and negative time balances.
- RICE-FW objects should be finalized and need to be discussed with the business: conversions are critical at this point.
- Training plans for end users have not been developed. The plans are critical at this point because employees need to understand the functionality to enter time (absences, attendances, overtime, and so on) into CATS.
- No decisions have been made on authorizations (who will have access to create, change, and view employee data) have been made.
- The blueprint document is still at a high level and incomplete in accordance with ASAP methodology.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
FMLA Workbench		<ul style="list-style-type: none"> ▪ Ownership 	Medium	Before realization
Leave Balances		<ul style="list-style-type: none"> ▪ Leave balances 	High	Before realization
Cross-Application Time Sheet (CATS)		<ul style="list-style-type: none"> ▪ CATS 	Medium	Before realization

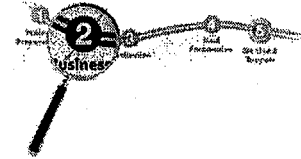
Date: 06/23/08

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Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
End-User Training		▪ Training	High	Completion of blueprint
Authorizations		▪ Authorizations	High	Early in realization
RICE-FW		▪ RICE-FW	High	Before realization
Pay-In-Lieu and Selling Comp Time		▪ Pay-in-lieu and selling comp time	Low	Before realization
Work Schedule		▪ Work schedule	None	None
LTD and STD Plans		▪ LTD and STD plans	None	None



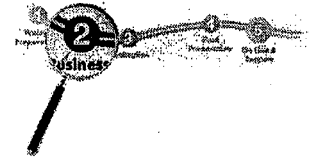
Human Resources – Payroll

Overall Component Rating

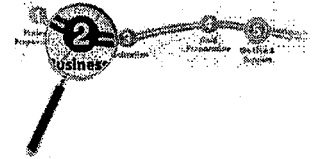


Reasons for Rating

- Overall, the payroll team has sufficient personnel with experience from prior projects to evaluate requirements effectively and establish business processes within SAP software. The payroll and time teams appear to respect each other, which creates a good environment for an exchange of ideas and agreements on issues.
- Integration with other FI/CO teams is critical to the project and represents the greatest risk to a successful implementation. If the project for the financial modules is delayed, the HCM and payroll project will be directly affected. For the HCM and payroll modules to go live before the financial modules, interfaces to the existing legacy accounting system will have to be designed. Additionally, decisions that affect cost distribution in payroll are in process. That will cause the payroll team to design posting around a coding block that might or might not reflect the final decisions arrived at during the FI/CO portions of the project.
- Training plans for project team and end users have not been developed. The end-user training plans are critical because the payroll specialists are remote from the payroll department and are assigned to other city departments.
- Policy decisions still need to be made regarding the ownership of Family Medical Leave Act data ownership, negative leave balances, retroactive processing, and functional support of the SAP system after the project ends.
- The blueprint is incomplete according to ASAP methodology.



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Negative Leave Quota Balances		▪ Negative leave quota balances	High	Before realization begins
Dependence on the Financial Projects		▪ Coding block for payroll posting	Medium	Before realization is complete
Authorizations		▪ Ownership of data	Medium	Before parallel processing begins
Training		▪ Training plan	Medium	Before realization begins
Payroll Specialist Training		▪ Training plan	Medium	By the start of integration testing in realization
Family and Medical Leave Act (FMLA)		▪ End-to-end FMLA process	Medium	Before realization begins
Earliest Retro-calculation Date		▪ Definition of retrocalculation date	Medium	Before go-live
Payroll and Benefit Integration		▪ Integration	Low	Start of integration testing
Go-Live Approach		▪ Timing of go-live	Low	Before go-live
Blueprint		▪ Completeness of blueprint	Medium	Before final sign-off on blueprint



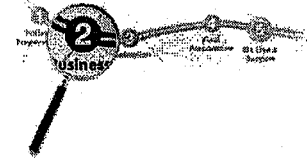
Human Resources – Personnel Administration (PA) and Personnel Development (PD)

Overall Component Rating



Reasons for Rating

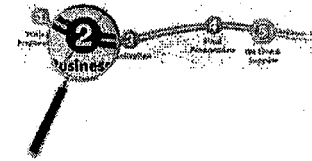
- Key components of the blueprint were not documented and defined at the time of the Review.
- Overall, the personnel administration team from the City of San Diego is well organized and has sufficient personnel with knowledge of the City's business to evaluate requirements effectively and establish business processes within SAP software.
- Project management is providing inadequate focus on and attention to SAP ERP HCM.
- Team integration during the current phase of detail design seems less than optimal and incorrect assumptions concerning the end-to-end business processes seem likely.
- The scope of the SAP implementation is to use standard SAP software. This process will add updates and add new business processes. Departments are resisting adoption of new standard business processes.
- The SAP E-Recruiting application is to be used to populate employee master data. To date, the understanding is that the standard SAP E-Recruiting application will not comply with Civil Service Commission rules and regulations. There is no development for handling this process, which will affect the hiring action within SAP ERP HCM.
- No comprehensive project plan. Without an updated project plan, there is no defined time line for the either the consulting team or the City's project team to adhere to.
- Lack of communication with the teams. The project management, consulting, and City teams operate as separate entities.
- No change management plan developed or implemented.
- Schedule project team training for subject matter



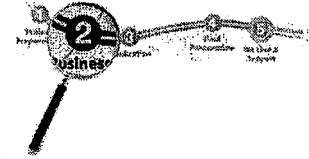
experts. The teams are relying on information from the consulting team and screen printouts.

- The security team is needed because processes within personnel administration are being based on security options within SAP software.
- Complete a functional specification to complete the configuration requirements of the IMG.
- Verification that the City of San Diego's requirements documentation agrees with the blueprint documentation. This process will ensure that all documented requirements can be met. If not, there might be a need for a gap document.
- Finalize the finance blueprint before finalizing the blueprint for SAP ERP HCM. Payroll and benefits will touch all employees of City of San Diego. Stabilize finance before implementing payroll processes in SAP ERP HCM, because the payroll processes of SAP ERP HCM will update the finance module of SAP software. Interfaces for benefit providers are also processed through finance.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Personnel Enterprise Structure: Personnel Areas and Subareas		<ul style="list-style-type: none"> ▪ Employee group, subgroups, and payroll area 	High	Before realization begins
Employee Master Data		<ul style="list-style-type: none"> ▪ Employee master data 	High	As soon as possible
Organizational Management		<ul style="list-style-type: none"> ▪ Organization units, job, positions, and structure maintenance 	High	Before realization begins
SAP Employee Self-Service and SAP Manager Self-Service		<ul style="list-style-type: none"> ▪ SAP Employee Self-Service and SAP Manager Self-Service 	High	Completion of blueprint



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
System Architecture (RICE-FW)		<ul style="list-style-type: none"> Reports, interfaces, conversion, enhancements, forms, and workflow 	High	Before realization
Benefits		<ul style="list-style-type: none"> Processes, interfaces with providers, reports, and integration 	High	As soon as possible
Integration		<ul style="list-style-type: none"> Integration between personnel administration, time, payroll, SAP Employee Self-Service, and SAP Manager Self-Service 	High	As soon as possible
Conversion Plan		<ul style="list-style-type: none"> Conversion plan for implementation of SAP ERP 	High	As soon as possible
Testing Plan		<ul style="list-style-type: none"> Testing plan for implementation of SAP ERP 	High	As soon as possible
Allocation of Resources		<ul style="list-style-type: none"> Allocation of resources from SAP ERP 	High	As soon as possible



Project Review

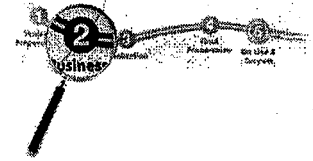
Overall Component Rating



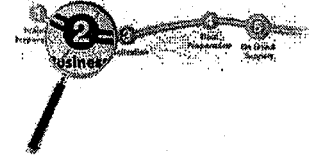
Reasons for Rating

- Overall, the project lacks standard project management processes and practices. The project does not maintain a project schedule. Issues are not tracked and managed. Team communication is ineffective.
- Integration management does not occur. Business processes need to include integration from an end-to-end perspective.
- The aggressive implementation schedule is unrealistic based on where the project is to date and will not be achieved. Project management must regularly review the SOW to validate deliverable and work product acceptance.
- The current approach for implementing SAP NetWeaver Business Intelligence (SAP NetWeaver BI) does not include integration of Business Objects.

Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Project Resources (1)		<ul style="list-style-type: none"> ▪ Involvement of extended team members ▪ Executive steering committee 	None None	None None
Project Resources (2)		<ul style="list-style-type: none"> ▪ Part-time SME involvement 	Medium	Early in realization
Project Resources (3)		<ul style="list-style-type: none"> ▪ PMO structure and function 	High	As soon as possible
Methodology (1)		<ul style="list-style-type: none"> ▪ Implementation strategy 	High	Before realization
Methodology (2)		<ul style="list-style-type: none"> ▪ Postproduction support strategy 	Medium	Early in realization



Topic Reviewed	Topic Rating	Finding Title	Finding Risk Level	Address-By Date
Project Management Processes		<ul style="list-style-type: none"> Project schedule management Integration management Issue management Project-team communication Risk management 	High High High Medium Medium	Before realization Before realization Before realization As soon as possible Before realization
Change Management		<ul style="list-style-type: none"> Change management 	Medium	During realization
End-User Training		<ul style="list-style-type: none"> End-user training 	High	Before realization
Project-Team Training		<ul style="list-style-type: none"> Project-team training 	Medium	Early in realization
Technical Project Management		<ul style="list-style-type: none"> System landscape Technical project management processes 	None None	None None
Business Intelligence		<ul style="list-style-type: none"> Synchronization between OneSD and BI projects Missing SAP BI and Business Objects integration 	High High	Early in realization Early in realization



Details of Findings

Financials (FI)

General Ledger (GL)

Organizational Structure Definition

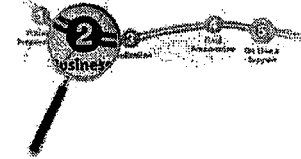
Use of Company Code and Business Area

<i>Finding</i>	<ul style="list-style-type: none"> ▪ The City will use one company code that contains all agencies. ▪ Business areas will represent separate areas of operation or responsibilities within the organization. ▪ The proposed listing of business areas was unavailable at the time of the Review.
<i>Potential Impact</i>	The design described in Review discussions appears to correspond to best business practices.
<i>Recommendation</i>	Use all four digits of the business area from the beginning and base them on the recommended structures (agency/department, bureau/division, office/section, and subsection/facility). Fill all unused lower-level structures with zeros to provide room for future implementations of lower-level organizational units.
<i>Finding Risk Level</i>	Low
<i>Address-By Date</i>	Before completion of baseline configuration

GL: Master Data Design

Chart of Accounts

<i>Finding</i>	<ul style="list-style-type: none"> ▪ The design of GL account master data is well thought out and appears to support best practices for integration and reporting. ▪ FM commitment items will be created in a 1:1 relationship with all GL accounts, including balance
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sheet accounts.

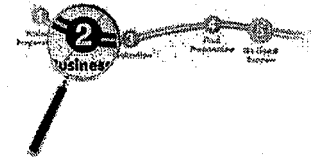
- GL account cleansing is being effectively addressed.
- The number of accounts has been reduced from approximately 4,000 to 1,600.
- The GL team appears to be aware of the necessary settings in GL account master data, related settings for FM commitment items, and of the critical nature of the proper settings.

Potential Impact

- The design of the GL account master data should provide a solid foundation to support the City's business processes and financial reporting requirements.
- Proper integration between GL accounts, commitment items, and cost elements should support business processes and internal and external reporting for multiple methods of accounting (full accrual, modified accrual, budgetary, grant, and cash accounting).

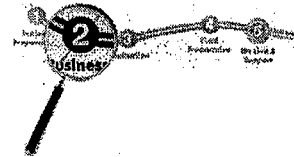
Recommendation

- Continue to work aggressively on cleansing and finalizing the GL chart of accounts.
- Finalize the majority of the elements of the chart of accounts with proper integration of commitment items and cost elements as early as possible in realization. This work is critical for overall configuration, including configuration of the split processor in the new GL and for integration testing.
- Consider the following when developing the chart of accounts because of the critical nature of master data for integration during configuration:
 - Create GL accounts at the lowest possible level to capture all necessary financial information for internal and external reconciliation, analysis, and reporting. That will help facilitate the proper use of financials.
 - Ensure that the proper budgetary, modified accrual, and full accrual accounts (with related contra accounts) are included for automatic recording and reconciliation of the different bases of governmental accounting that are required.
 - Avoid placing the GL accounts too close to each other within the number range to allow room for future growth.
 - Set up multiple GL reconciliation accounts for



each bank account even, if the bank reconciliation functionality is not currently being considered for all existing bank accounts.

- Record investments at the most detailed level possible to provide for full financial reporting rather than having to rely on information from subsystems (recording by type of investment: corporate bonds, corporate notes, common stock, preferred stock, commercial paper, federal agency notes, and so on). Include all the necessary GL accounts for each type of investment (premium, discount, accrued interest, purchased interest, GASB 31 market value adjustments, and so on).
- Do not include memo-type accounts in the GL (budget, bonds authorized and unissued, and so on)
- Provide for the technically required asset GL accounts (and related gain/loss accounts) for posting of modified and full accrual depreciation areas to allow for full calculations of gains and losses on fixed assets.
- Do not include any other dimensions, such as organizational, programmatic, funding, project, and so on, in the GL accounts.
- Provide necessary GAAP-only accounts that will allow posting and reconciliation of unbudgeted items such as compensated absences, payroll accruals, and other accruals and deferrals. Include contra accounts to isolate, net out, and carry-forward balances that represent modified accrual-only and full accrual-only postings (capital outlay or depreciation expense, debt proceeds or debt payable, debt repayments or reduction of debt liabilities, amortization of debt premium and discounts, short- and long-term compensated absences, and so on).
- Group fixed assets, contra accounts, and depreciation accounts by depreciation area.
- Provide for revenue cost elements (instead of statistical revenue elements) in controlling (CO) to allow for possible distribution using CO functionality.



Finding Risk Level High

Address-By Date Early in realization

Functional Area Design

Functional Area Design

- | | |
|-------------------------|--|
| <i>Finding</i> | <ul style="list-style-type: none"> ▪ The functional area is generally considered part of FM, but the design is discussed at a high level to support Comprehensive Annual Financial Report (CAFR) reporting of activities. ▪ No list of proposed functional areas existed for review, but it appeared that team was leaning toward a four-digit functional area design. |
| <i>Potential Impact</i> | Limiting the functional area to four digits could limit any ability to support future reporting requirements without reworking the design. |
| <i>Recommendation</i> | Consider using all 16 digits for the functional area. The functional area can be designed to facilitate governmentwide, CAFR, and internal reporting requirements. When creating functional areas, SAP recommends using all 16 digits from the start, based on the recommended structures (function/subfunction, process/subprocess, activity/subactivity, and task/subtask), filling all unused lower-level structures with zeros to provide room for future requirements including implementation of activity-based costing. |

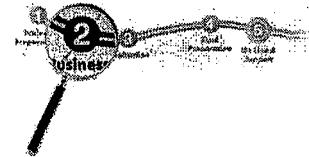
Finding Risk Level Medium

Address-By Date Before realization

Basic Functions and Processing: GL

GL Journal Entry Process

- | | |
|----------------|--|
| <i>Finding</i> | The design of the journal entry (JE) and approval process includes inaccurate information. The blueprint indicates a manual approval process where a departmental user parks the JE document (incomplete). The department supervisor then approves the document by saving the parked document as complete. The |
|----------------|--|



comptroller's office reviews the parked complete documents and posts them. In SAP software, budget is not checked when parking the JE because this status allows an incomplete document. Budget is checked when the parked document is saved as complete.

<i>Potential Impact</i>	Design will not allow for budget checking when a departmental user initially parks a JE.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Update the JE approval process in the blueprint. If the initial entry by departmental users must check budget availability, parked documents must be saved as complete. ▪ Consider changing editing options for all users to require parked documents to be saved as complete.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	Before realization

Month- and Year-End Process Design

Month- and Year-End Process Design

<i>Finding</i>	The FI blueprint included a comprehensive sample listing of month- and year-end tasks for all relevant modules. Other modules such as AP and AR included specifics relevant to those modules.
<i>Potential Impact</i>	The design should meet the City's requirements when it is finalized.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Ensure ongoing integrated discussions to finalize the list and process during realization to test processes thoroughly during integration testing. ▪ Consider adding tasks to the schedule manager.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	Before integration testing

New GL

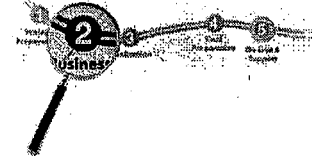
New GL/Split Processor Design

<i>Finding</i>	<ul style="list-style-type: none"> ▪ The design of the new GL and split processor
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Date: 06/23/08

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appears to be sound and is in alignment with best practices for fund accounting.

- A decision remains open on whether to split by grant in addition to fund and business area.

Potential Impact

- Proper posting of financial data to the new GL ensures an ability to record all accrual- and cash-based information for fund accounting. That includes modified accrual, full accrual, and cash information balanced by fund, business area, and, if needed, grant and allows for full financial statements by these objects or object groups. All fund accounting reporting must be done in new GL tables (or the values from these tables must be extracted to SAP NetWeaver Business Intelligence).
- Without a split by grant, some grant reporting requirements might not be met.

Recommendation Split by fund, business area, and grant.

Finding Risk Level High

Address-By Date Start of realization

GL Conversion, Interfaces, and Enhancements

GL Balance Conversions

Finding

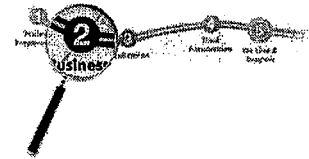
- The strategy for GL balance conversion has not been finalized.
- Ongoing discussions on whether to convert detailed transactional data for the period from fiscal year-end before go-live through go-live or if summary transactional data by period is sufficient to meet year-over-year reporting requirements.

Potential Impact

- Conversion of detailed transactional data is not recommended and will have a serious, negative impact on the project.
- Functional specifications for balance conversions cannot be completed until the conversion strategy is complete.

Recommendation

- Finalize the balance and transactional conversion strategy as soon as possible.
- Include this strategy as part of a comprehensive



strategy for the data of all modules.

- Convert summary transactional data by period to facilitate year-to-year comparative reporting if possible.

Finding Risk Level High

Address-By Date Early realization

GL Enhancements

Finding The enhancement for the allocation of interest by fund does not have a proposed solution approach.

Potential Impact Development could affect several areas, including new GL and treasury.

Recommendation

- Formalize requirements and propose a solution as soon as possible.
- Research the feasibility of using the planned solution for average daily balance distribution (ADB) from SAP instead of taking the time for and incurring the costs of developing a custom solution. An ADB solution is planned for release in enhancement package 4 from SAP. If the scheduled timing of the go-live does not allow waiting for the enhancement package, try to get information on the planned approach to design a solution based on the solution from SAP, if possible.

Finding Risk Level Medium

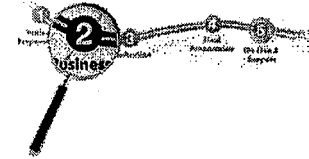
Address-By Date Early realization

Accounts Payable (AP)

Vendor Master Data Design

Vendor Master Data Maintenance

Finding The office of the comptroller is to maintain the general and accounting data for the vendor master record. The purchasing and contracting department is to maintain purchasing data. The MM reviewer indicates that there was no mention of purchasing or contracting



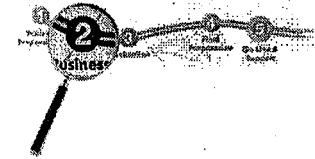
involvement in the MM blueprint. The MM team stated that all vendor maintenance was the responsibility of the comptroller's office.

<i>Potential Impact</i>	Integration between the comptroller's office and the purchasing office might be lacking.
<i>Recommendation</i>	Hold integrated sessions with the accounts payable and MM teams to ensure that all agree with the design and understand the impact on their individual blueprints.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	Early realization

Basic Functions and Processing (AP)

AP Invoice Processing

<i>Finding</i>	AP invoice processing is being changed from centralized entry in the comptroller's office to decentralized entry by departments. The stated reason for the change is to decrease the number of delayed or lost invoices. Decentralization of PO-related invoices will not necessarily resolve these issues and is not considered a best practice.
<i>Potential Impact</i>	<ul style="list-style-type: none"> ▪ The issue of delayed and lost invoices might not improve. ▪ More training will be required to train departmental users to enter PO-related invoices and to deal with the errors and issues that arise related to the processing.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Consider revising the process to have vendors send PO-related invoices to the comptroller's office rather than individual departments. Invoices could then be processed more efficiently using the features and functions of logistics invoice verification (LIV). Training could then be maximized for the centralized processing group. Goods receipts would still be decentralized, as they are now. ▪ Hold integrated business process design sessions between the AP and MM teams to ensure that processes will meet the intended requirements if a decision is made to move to decentralized invoice



entry.

Finding Risk Level Medium

Address-By Date Before realization

AP Invoice Processing: Other

Finding

The invoice processing blueprint is documented at a very high level and many of the expected process details are missing. The following are examples:

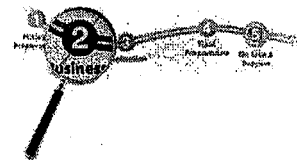
- No documentation of proposed tolerance settings.
- The third-party payments process is vague and confusing.
- The requirement and the proposed solution for various types of retainage is vague and confusing, with no discussion of the related accounting or of how retainage amounts will be managed – apart from the statement that the retainage amounts will be blocked for payment. The AP conversion list includes an item for conversion of contract retention balances that indicates that specific accounting requirements need to be included.
- Scanning of invoices is discussed in blueprint document P-AP034-Invoice_Processing_v1.1.doc, but it is unclear whether the assumptions in section 3.10 2a and b of assumptions and issues reflect the City's current status or plans concerning imaging hardware and software for its departments.
- The description of process flows and events indicates that both non-PO-related invoices and PO-related invoices will be initially parked, at which time they will check for budget availability. Non-PO-related invoices must be parked as complete to check budget availability
- The description of PO-related invoice process flow and events indicates that LIV invoices entered before the related goods receipt will be put on hold. The best practice is for such an invoice to be blocked for payment.

Potential Impact

Inability to determine the proper design and configuration to accommodate these processes in realization.

Recommendation

- Determine and add proposed tolerance levels for the



various tolerances to be configured.

- Document the third-party payments process in more detail to help ensure that requirements will be met.
- Document the retainage requirements and process, including the required accounting and ongoing management in more detail to ensure requirements will be met.
- Clarify whether imaging hardware and software will be in place for required departmental scanning. If it is not, will the proposed work-around be acceptable?
- Clarify that non-PO-related invoices must be parked and saved as complete to check budget. Basic parked documents (incomplete) do not check budget.
- Revise the PO-related invoice process flow to show that such invoices processed before posting the related goods receipt (GR) will be posted and blocked for payment until the GR is posted.

Finding Risk Level High

Address-By Date Before realization

Accounts Receivable (AR)

Account Receivable (AR)

General Comments

Finding

- Because of time constraints and because blueprint documents were not received in advance, the reviewer was unable to examine all documents thoroughly.
- The reviewer can make only high-level findings and recommendations based on a limited review of documents and brief interview sessions on site.

Potential Impact

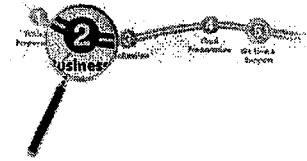
Issues might go undetected.

Recommendation

Consider having an additional blueprint review of AR and cash management.

Finding Risk Level High

Address-By Date As soon as possible



Customer Master Data Design

Customer Master Data Design

Finding

- The design of the AR customer master appears to be thorough.
- Conversion of customers from four external systems is expected to result in a major cleansing effort for existing customers
- SAP Interactive Forms software by Adobe is being considered for new vendor requests.

Potential Impact

- The design should support requirements.
- Cleansing efforts could be very time-consuming.
- Use of SAP Interactive Forms for new vendor requests could significantly decrease the workload for creating customers manually.

Recommendation

- Start cleansing efforts early and ensure that staffing is adequate to complete the procedure.
- Decide on the use of SAP Interactive Forms to facilitate customer creation early in realization.

Finding Risk Level Medium

Address-By Date Realization

Basic Functions and Processing (AR)

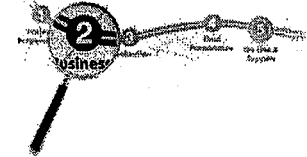
AR Functions and Processing

Finding

- Three general AR scenarios are addressed:
 - Scenario 1: external billing systems interface to AR (six systems)
 - Scenario 2: customer and invoice entered directly in AR
 - Scenario 3: external billing systems revenue posting to GL (nine systems)
- No indication of how many departments will enter invoices directly in AR (scenario 2).
- The complex nature of AR processes and interfaces required by the City warrant further review.

Potential Impact

- Issues might go undetected.
- Development effort might be under-estimated.



<i>Recommendation</i>	Consider having an additional blueprint review to focus on AR and cash management.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	Before realization

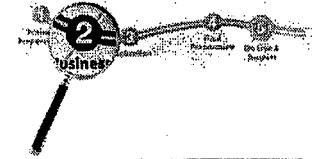
AR Interfaces and Forms

AR Interfaces

<i>Finding</i>	<ul style="list-style-type: none"> AR involves ongoing interfaces with six external systems and is expected to result in a major development effort. There are two outstanding issues concerning CUBS interfaces and the calculation of interest charges.
<i>Potential Impact</i>	Heavy impact on the development schedule and budget.
<i>Recommendation</i>	<ul style="list-style-type: none"> Document the interface functional specifications as soon as possible. Resolve outstanding issues as soon as is practical in realization.
<i>Finding Risk Level</i>	High
<i>Address-By Date</i>	Realization

AR Billing Forms

<i>Finding</i>	<ul style="list-style-type: none"> The current design is to create billing forms for various AR invoices for invoices entered directly into SAP software (scenario 1) and for invoices interfaced from external systems (scenario 2) via correspondence. Since AR in SAP software does not include a billing engine like the one available in the SD module (not in scope), it is unclear from the blueprint how invoice billing forms will be generated and the amount of development effort involved. At the time of the Review, no sample billing forms had been gathered.
<i>Potential Impact</i>	<ul style="list-style-type: none"> Expectations for forms might be more complicated than anticipated. Billing forms that can be generated using AR correspondence might not meet the City's



expectations.

Recommendation

- Gather a sample of all required forms as soon as possible to determine expectations.
- Complete functional specifications for forms as soon as possible.

Finding Risk Level

Medium

Address-By Date

- Sample billing forms: before realization
- Functional specifications: as early as is practical in realization



Materials Management (MM)

Organizational Structure

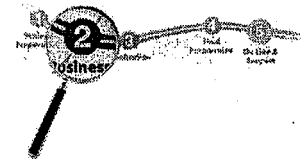
Level of Detail in Blueprint

<i>Finding</i>	For the most part, the blueprint contains definitions of functionality. The assignment of values to the organizational elements should be made and documented in the blueprint document (example: plant 0001 = City of San Diego – will have purchasing organization 0001 assigned).
<i>Potential Impact</i>	Organizational structures should be defined and documented to enable integration further and eliminate potential conflicts with other teams that might make other assumptions.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Update the blueprint document with detailed values and structures. ▪ Add details on who in the support organization will be the owner of these elements and responsible for maintaining them. It is not advisable to have a power user with configuration access. ▪ Ensure that the blueprint document reflects the actual business intent. The blueprint reflects use of shelf-life expiration, but interviews with team members indicate otherwise: assignment of shipping point without use of the sales and distribution module.
<i>Finding Risk Level</i>	High
<i>Address-By Date</i>	Early in realization

Logistics Master Data

Conversion Functional Specifications Missing

<i>Finding</i>	No conversion functional specifications written.
<i>Potential Impact</i>	<ul style="list-style-type: none"> ▪ Level of effort for required conversions cannot be estimated. ▪ Technical specification cannot be written.



- Coding of conversion programs cannot be written until the data map and technical specifications are complete.
- Flow-down could affect training, testing, and even the go-live.

Recommendation Complete data mapping and functional specifications as part of the blueprint as identified in the SOW. These tasks should be completed as soon as possible.

Finding Risk Level High

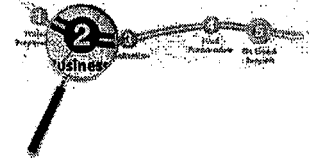
Address-By Date Before realization

Level of Detail in Blueprint

- Finding*
- For the most part, the blueprint document for master data information was gleaned from SAP help that describes functionality. The document should contain more detailed information on how the master data objects are to be used by the City, by whom, how the master data object helps to accomplish those tasks, and who will be responsible for maintaining the objects.
 - Example: in reference to hazardous materials, the document states, "The City expects to link the specification sheet to material master." If this is a requirement, the document must outline how it will be accomplished within the project scope.
 - No mention is made of pricing and output conditions, classification data, or standard texts.

- Potential Impact*
- Use of master data is shared throughout the system. One-sided definitions of shared objects should be avoided to avoid process instability.
 - Undefined requirements can lead to scope creep, causing timeline and budgetary conflicts.

- Recommendation*
- Validate the content of the existing documentation and replace words like might, could, and may with more definitive statements to reflect the actual expected process.
 - Ensure that usage of master data elements such as service master are well defined. If service masters are not going to be used, or used very lightly, it should be so stated. If they are to be used at all, their



use should be fully defined and tested.

- Identify expected volumes of each master data element type to enable planning of training system sizing and cutover scheduling.
- Elaborate on the use of pricing and output conditions.
- Determine use of standard texts and requirements to load during cutover.

Finding Risk Level Medium

Address-By Date Early in realization

Inclusion of As-Is and To-Be

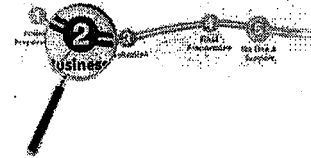
Finding Inclusion of as-is and to-be process designs.

- Potential Impact*
- Provides a single location for other process teams to find details on process improvement or change.
 - Identifies the completion of process requirements.

Recommendation Continue to take this approach and identify as many process changes and improvements as possible.

Finding Risk Level None

Address-By Date None



Purchase Requisition

Definition of Document Types

Finding

Document types need clearer definition. No mention is made of the types of documents to be created. Document types, number ranges, determination of field selection, and use of documents are not defined.

Potential Impact

- Many work processes, including release strategies and workflow, depend on requisitions. Lack of definition of these elements prevents further prototyping and development of follow-on functions.
- Business process and procedures (BPPs) and other training material development cannot begin until processes and procedures are defined.
- Use of incorrect document types can affect material requirements planning (MRP) and cause unintended purchases.

Recommendation

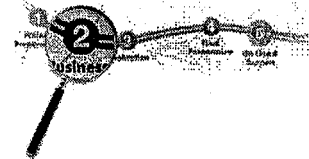
Follow the identification given in the SOW.

Finding Risk Level

Medium

Address-By Date

As soon as possible: before realization

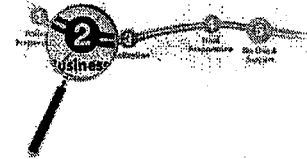


Definition of Release Strategies and Workflow

<i>Finding</i>	It has been determined that release strategies will be used and that, according to the blueprint, the determination will be based on material group, storage location, and total value of the line item. Further analysis should be done to clarify the criteria used to determine a release strategy and the routing of purchase requisition approvals.
<i>Potential Impact</i>	<ul style="list-style-type: none"> ▪ Requisitions being routed improperly could lead to a violation of City policies. ▪ Not all the appropriate values would be used to determine the proper approval levels and routings. ▪ Routing of requisitions for approval to inappropriate parties. ▪ Workflow configuration cannot be defined or tested until the detailed process flow is defined.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Clearly define the release strategies. The type of purchase or type of requisition being made should also be evaluated (asset purchase or commodity item). ▪ Consider using item category, account assignment, and document type as criteria.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	As soon as possible: before realization

Use of P-Card

<i>Finding</i>	<ul style="list-style-type: none"> ▪ Use of P-card as a "primary and mainstream procurement process" should be seriously reconsidered. P-cards are not restricted by budgetary constraints and allow users to overrun budgets. ▪ P-cards do not limit a cardholder to particular types of spending.
<i>Potential Impact</i>	<ul style="list-style-type: none"> ▪ Creation of financial liabilities without having available funding available. ▪ P-cards bypass approvals normally in place to prevent inappropriate purchases.



Recommendation Work with the funds management team to establish a procedure for use of P-cards to reduce the potential of cost overruns at the end of the fiscal year. One potential process would be to establish an emergency fund to act as a funding source against which earmarked funds could be created and posted against to enable the tracking and evaluation of P-card spending.

Finding Risk Level High

Address-By Date As soon as possible: before realization

Procurement of Assets

Finding Two methods are described in the blueprint document. The method used for the procurement of assets should be chosen and documented.

Potential Impact

- Process flow cannot be established.
- Roles and authorizations cannot be finalized.
- Requisition field selection cannot be finalized.
- Training and BPPs cannot be written.

Recommendation

- Choose the method to be used for the procurement of assets and update the blueprint.
- Consider methods to ensure items procured are properly identified as assets.

Finding Risk Level Medium

Address-By Date As soon as possible: before realization

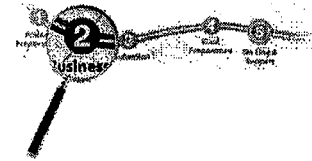
Requisition RICE-FW Objects

Finding

- Two forms (form for PR print and sole source request) and one report (stale requisitions report) are identified in the requisition blueprint document but are not identified on the RICE-FW spreadsheet
- Although it is possible to output the item overview or a screenshot of a requisition, there are no standard output transactions or standard forms defined for the output of a requisition.
- Functional specifications have not been written for the conversion of open requisitions.

Potential Impact

- Cost and schedule overruns due to additional



programming requirements.

- Missing expected functionality.
- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to accomplish specifications while completing planned realization phase tasks to stay on schedule.
- Overburdened team members working longer than planned work schedules to catch up.

Recommendation

- Validate that the requirements still exist for the referenced forms and report.
- If the objects are still required, add them to the RICE-FW list and begin writing functional specifications to enable the technical teams to determine the level of effort and scheduling priority accurately.

Finding Risk Level Medium

Address-By Date Before realization ends

Request for Quotation

Definition of Forms

Finding

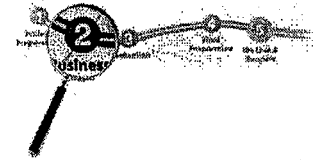
Two forms are identified in the blueprint document for RFQs, one of which is not on the RICE-FW list (form for comparison printing).

Potential Impact

- Cost and schedule overruns due to additional programming requirements.
- Missing expected functionality.
- Conversation with functional team indicates an intention to stay as close to standard functionality as possible. Remaining as standard as possible will limit additional work effort and eliminate unnecessary custom development

Recommendation

- Validate that the requirements still exist for the referenced forms.
- Ensure that both are on the RICE-FW list (if the objects are still required) and begin writing functional specifications to enable technical teams to determine the level of effort and scheduling priority accurately.



Finding Risk Level Low

Address-By Date As soon as possible: before realization

Functional Conversion Specification

Finding Conversion specification for the migration of open legacy RFQ and bid documents has not been completed.

Potential Impact

- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to accomplish specifications while completing the planned realization tasks to stay on schedule.
- Overburdened team members working longer than planned work schedules to catch up.

Recommendation Complete conversion specifications and data maps.

Finding Risk Level High

Address-By Date As soon as possible: before realization

Purchase Order

Functional Conversion Specification

Finding Conversion specification for the migration of open legacy purchase order documents has not been completed.

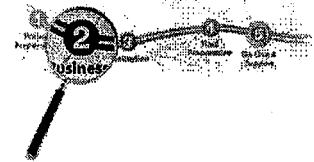
Potential Impact

- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to accomplish specifications while completing planned realization phase tasks to stay on schedule
- Overburdened team members working longer than planned work schedules to catch up.

Recommendation Complete functional specifications.

Finding Risk Level High

Address-By Date As soon as possible: before realization



Emergency PO to Accommodate P-Card Purchases

Finding

Two possible methods for the creation of purchase orders for emergency purchases were discussed:

- Automatically at goods receipt
- Manually after P-card purchase

An alternative to using P-Cards as a primary method of procurement should be investigated.

Potential Impact

- Lack of funding, particularly at the end of the fiscal year, will prevent the purchase order from creating suppliers, who will not receive payment because the PO cannot be created.
- Additional workload by finance and those responsible for budget to ensure that the funds are available.
- Purchases are not controlled and compliance with procurement rules is not enforced.

Recommendation

- Review use of P-card purchases to determine the cause of emergency purchases.
- Implementation of SAP SRM to reduce paper flow and enhance usability of the procurement system.
- Work with the FI-FM team to design a methodology to ensure that funds are available to cover P-card purchases.
- Implement a review process to ensure accountability.

Finding Risk Level Medium

Address-By Date As soon as possible: before realization

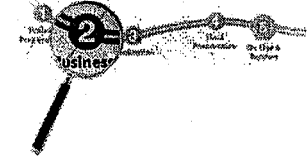
Definition of Release Strategies and Workflow

Finding

It has been determined that release strategies will be used and that, according to the blueprint, the determination will be based on total value of the document. Further analysis should be done to clarify the criteria used to determine a release strategy and the routing of purchase order approvals.

Potential Impact

- Purchase orders not being routed properly could lead to the violation of City policies.
- Not all of the appropriate values would be used to determine the proper approval levels and routings.
- Routing of purchase orders for approval to



inappropriate parties.

- Workflow configuration cannot be defined or tested until a detailed process flow is defined.

Recommendation

- Clearly define the release strategies. The type of purchase or type of requisition being made should also be evaluated (asset purchase or commodity item).
- Consider using item category, account assignment, and document type as criteria.
- Coordinate design of release strategies with design of purchase order workflow.

Finding Risk Level Medium

Address-By Date As soon as possible: before realization

Integration with Finance

Finding

- City payment terms should be discussed with the AP department to ensure that City requirements are met. Standard SAP software does not support a requirement for payment to be issued depending on the latest receipt of invoice or goods receipt.
- Use of terminology like earmarked funds is inconsistent with normal functionality, especially in regard to project funding.

Potential Impact

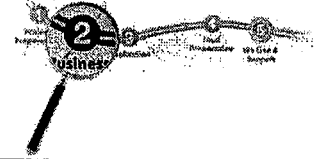
- Procurement needs to be aware of payment terms when negotiating to ensure that best pricing is received.
- Miscommunication of payment terms can cause friction with suppliers.

Recommendation

- Discuss payment terms with AP.
- Discuss earmarked funds with FM, especially as related to project funding and contracts.
- Discuss the update profile with FM to ensure that both teams are aware of the strategy to convert encumbrances to actual expenses.

Finding Risk Level High

Address-By Date As soon as possible: before realization



Contracts (Purchasing and Construction)

SAP SRM and SAP Procurement for Public Sector

Finding

No mention is made of using the SAP SRM application or the SAP Procurement for Public Sector package. The Axon SOW calls for the public tendering and contract and administration components of SAP SRM.

Potential Impact

- Lacking this functionality, the City is limited in its ability to take advantage of the prescribed functions.
- Increased costs for interfaces and manual operations normally performed by standard functionality.
- Continued reliance of legacy systems.
- Increased document creation and management costs.

Recommendation

- Clarify requirement with the City.
- Update documentation to reflect the actual component implementation schedule
- Evaluate use of SAP ECC for general requestor purchasing if SAP SRM and SAP Procurement for Public Sector are to be used. Use of SAP SRM shopping carts reduces maverick buys and directs purchases to suppliers with whom pricing agreements exist to reduce expenditures.

Finding Risk Level High

Address-By Date As soon as possible: before realization

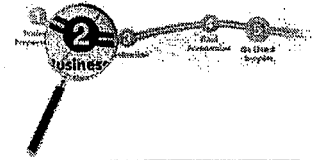
Functional Conversion Specification

Finding

Conversion specification for the migration of open legacy outline agreement (contract) documents has not been completed.

Potential Impact

- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to complete specifications while completing planned realization phase tasks to stay on schedule.
- Overburdened team members working longer than planned work schedules to catch up.
- Contracts not loaded and price discounts not taken.
- Contract specific documentation not referenced by



purchase orders.

Recommendation Complete conversion specifications.

Finding Risk Level High

Address-By Date As soon as possible: before realization

Contract Type and Numbering

Finding

- Type of contract used and the numbering scheme for each should be outlined in the blueprint.
- Discussions with the functional team members indicate that the contract number will be manually assigned and will come from the originating requisition.

Potential Impact Conversion specifications require document type and numbering schemes to load legacy documents.

Recommendation Update the blueprint document.

Finding Risk Level Medium

Address-By Date Before end of realization

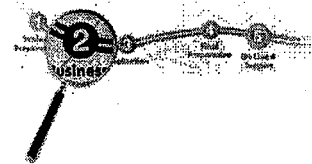
RICE-FW Object Definitions

Finding

- The blueprint document indicates no workflow for contracts, but interviews with team members show an intention to have a notification sent to the responsible approver at the \$1,000,000 level. This point should be clarified.
- An enhanced weekly, monthly, and annual outline agreement report is included in the blueprint but not on the master RICE-FW list.
- SAP NetWeaver BI reports listed in the construction contracts file are not listed on the master RICE-FW file. If additional development is required, they should be added to the file.

Potential Impact

- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to complete specifications while completing planned realization phase tasks to stay on schedule.
- Overburdened team members working longer than



planned work schedules to catch up.

- Missing functionality.

Recommendation

- Complete conversion specifications.
- Validate that FRICE-FW objects are still required and update the blueprint document as appropriate.

Finding Risk Level

Medium

Address-By Date

As soon as possible: before realization

Receiving

Process Definition

Finding

- Use of service entry sheets is heavily discussed. The use of this functionality should be verified and finalized.
- Use of purchase order creation in the background based on goods receipt should be verified and removed from the blueprint if necessary.
- Tolerances at receiving are quantity-based only. Requirement states tolerance of 10% of quantity or \$400, whichever is less.

Potential Impact

- Additional configuration to support processes that might be unnecessary.
- Regulatory compliance issue with receiving personnel having required authorization to create PO transaction.
- Complicated transactions cause confusion and decrease user acceptance.
- Additional reporting requirements.

Recommendation

- Clarify processes and document appropriately.
- Work with AP to define invoice tolerances.

Finding Risk Level

Medium

Address-By Date

As soon as possible: before realization

Inventory

Functional Conversion Specification

Finding

Conversion specification for the migration of inventory

Date: 06/23/08

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has not been completed.

Potential Impact

- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to complete specifications while existing staff completes planned realization phase tasks to stay on schedule.
- Overburdened team members working longer than planned work schedules to catch up.
- Errors in tasks due to rush to catch up.

Recommendation

Complete conversion specifications.

Finding Risk Level

High

Address-By Date

As soon as possible: before realization

GR/GI Slip and Service Entry Sheet

Finding

GR/GI slip and service entry sheet are to remain standard forms without modification.

Potential Impact

Reduces programming effort.

Recommendation

None

Finding Risk Level

None

Address-By Date

None

Consumption-Based Planning (MRP)

Finding

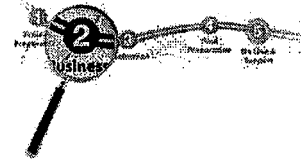
Use of MRP is defined but how the City will use the functionality is not described.

Potential Impact

- Functionality might not be configured.
- Automated planning of requirements and automatic generation of purchase requisitions will not be enabled.
- Additional workload on warehouse staff to plan and evaluate inventory levels.
- Reorder points and safety stock levels would need to be calculated manually.

Recommendation

Define what functions of consumption-based planning will be used to enable configuration during realization.



Finding Risk Level Low

Address-By Date Early in realization

RICE-FW Object Definitions

Finding The blueprint calls for 15 reports for physical inventory, but only two are listed in the development object listing.

Potential Impact

- Project delays due to missing specifications.
- Additional project costs to cover the expense of additional staff needed to complete specifications while completing planned realization phase tasks to stay on schedule.
- Overburdened team members working longer than planned work schedules to catch up.
- Missing functionality.

Recommendation

- Complete conversion specifications.
- Validate that RICE-FW objects are still required and update the blueprint document as appropriate.

Finding Risk Level Medium

Address-By Date As soon as possible: before realization

Functional Specification for Conversion of Historical Material Movements

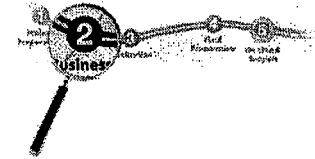
Finding Conversion specification not completed.

Potential Impact

- Project delays due to missing specifications.
- Technical specifications, data maps, and coding cannot be completed.
- Additional project costs to cover the expense of additional staff needed to complete specifications while existing staff completes planned realization phase tasks to stay on schedule.
- Overburdened team members working longer than planned work schedules to catch up.
- Errors in tasks due to rush to catch up.
- Historical data not being loaded.
- Missing reporting capability.

Recommendation Complete conversion specification.

Finding Risk Level Medium



Address-By Date As soon as possible: before realization

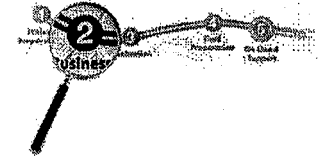
Physical Inventory

Standard Functionality

<i>Finding</i>	Standard functionality being used to perform physical inventory using standard forms, and the design is appropriate in this area.
<i>Potential Impact</i>	None
<i>Recommendation</i>	None
<i>Finding Risk Level</i>	None
<i>Address-By Date</i>	None

Functional Specification for Conversion of Historical Physical Inventory Documents

<i>Finding</i>	Conversion specification not completed for load of historical physical inventory postings.
<i>Potential Impact</i>	<ul style="list-style-type: none"> ▪ Project delays due to missing specifications. ▪ Technical specifications, data maps, and coding cannot be completed. ▪ Additional project costs to cover the expense of additional staff needed to complete specifications while existing staff completes planned realization phase tasks to stay on schedule. ▪ Overburdened team members working longer than planned work schedules to catch up. ▪ Errors in tasks due to rush to catch up. ▪ Historical data not being loaded. ▪ Missing reporting capability.
<i>Recommendation</i>	Complete conversion specification.
<i>Finding Risk Level</i>	Low
<i>Address-By Date</i>	As soon as possible: before realization



Funds Management (FM)

Funds Management Derivation

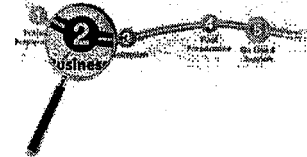
Funds Management Derivation

<i>Finding</i>	<ul style="list-style-type: none"> The City's funds management blueprint does not contain formal documentation for the derivation strategy. Each module (CO, FI, GM, HR, and PS) has a different idea of what will need to be entered and what will be derived. The basic master data design is well documented and provides a solid basis for the development of this document. The standard rules are planned, but the complex cross-module design is incomplete.
<i>Potential Impact</i>	<ul style="list-style-type: none"> Inability to configure the system properly and document integration issues. Potential for overly complex and conflicting rules for derivation. Without derivation, end-users might be required to know information beyond a manageable level.
<i>Recommendation</i>	<ul style="list-style-type: none"> Treat this issue as a priority that must be addressed by the integration team lead and the team as a whole. This issue cannot be solved by the funds management team alone. Engage an integration team lead who is an SAP-Certified Integrator of SAP for Public Sector. Hold design meetings across all teams to determine the basic FM derivation strategy.
<i>Finding Risk Level</i>	High
<i>Address-By Date</i>	As soon as possible

Controlling Objects in FM tables

Add the CO Object to FM

<i>Finding</i>	There is no current plan to add the CO objects to the FM tables.
<i>Potential Impact</i>	Difficulty in reconciling FM and CO modules.



Recommendation Consult SAP Note 139211 that treats the addition of the controlling objects to the funds management tables. It allows writing custom reports against FM tables using CO objects as selection and output criteria.

Finding Risk Level Low

Address-By Date Before realization ends

Multifunded Projects and Grants

Design for Multifunded Projects and Grants

Finding The City has many projects with multiple funding sources and grants. There is a need to have some type of automatic splitting of costing between these objects.

Potential Impact

- Incomplete integrated design could lead to costly custom development.
- Potential for conflict with derivation strategy design.

Recommendation

- Explore the use of the standard functionality of FM rule-based distribution.
- This effort should be lead by the funds management team in coordination with the integration team lead.
- Develop a detailed business process list to ensure that the rule design is complete.

Finding Risk Level Medium

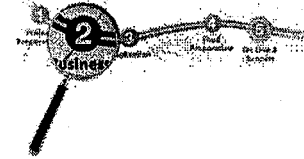
Address-By Date Early in realization

Budget Preparation

Transition Budget Preparation in FMIS

Finding The likely delay in the project schedule might affect the budget download for FY 2010.

Potential Impact The budget preparation for FY 2010 is planned for the FMIS system, but plans do not call for changing the system to reflect the master data in SAP software. That could result in a need for separate budget conversion (FY 2009 is to come from the AMARIS system) mapping.



<i>Recommendation</i>	Actively monitor the project plan schedule and discuss updating the FMIS system to the SAP landscape.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	Before realization ends

Legacy Data Conversion

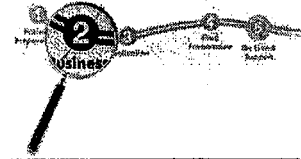
Legacy Data Conversion

<i>Finding</i>	<ul style="list-style-type: none"> No clearly developed plan to convert the legacy data for CAFR and other financial and budgetary reports. The level of data conversion required is not clearly understood.
<i>Potential Impact</i>	<ul style="list-style-type: none"> The CAFR requires prior-year comparisons of budget and actual data. To meet a project objective (CAFR reporting) successfully, a plan to convert the data must be developed or adequate data might be unavailable. Possible delays in the project due to underestimating the effort required for data migration from legacy systems.
<i>Recommendation</i>	Have the financial and funds management teams coordinate to determine a unified plan for legacy data conversion and migration. A plan should be developed that considers any new reporting design impacts from SAP software. Do not convert line item detail from a legacy system for midyear conversions.
<i>Finding Risk Level</i>	High
<i>Address-By Date</i>	Before realization ends

Financial Integration

Integration Issues

<i>Finding</i>	<ul style="list-style-type: none"> The project is not managing integration issues on a proactive or detailed level. The existing list of integrations is "not being worked." During team meetings, several integration issues arose, but none were addressed in a timely fashion. Integration meetings had been "cancelled for the last
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two months.”

- Interest calculation, standard and actual labor rates, funds management derivation strategy, multifunded projects, and month-end and year-end processing are examples of topics that must be addressed from an integrated approach.

Potential Impact

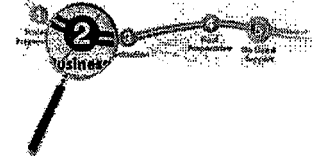
- Integration with other module teams is critical to the project and represents the greatest risk to a successful implementation. Team integration during the current phase of detail design is less than optimal, and erroneous assumptions concerning the total business process seem likely.
- Project management processes that represent and focus on this integration are critical to success.

Recommendation

- Engage an SAP-Certified Integrator of SAP for Public Sector immediately to manage the growing list of integration issues.
- Hold workshops with the complete functional teams to determine the fit-gap integration issues outstanding in the current level of design.
- Develop a plan to complete the blueprint design of the critical issues.
- Have the PMO monitor this effort proactively.
- Develop processes to escalate integration issues and communicate them to the entire team.

Finding Risk Level High

Address-By Date Before realization begins: do not go into the realization phase without addressing this issue



Grants Management (GM)

Grant Master Data and General Settings

Grant Types

Finding

- The City has identified three grant types in the blueprint. The design of one grant type is time-based.
- There is no grant type for out-going grants, which is required.

Potential Impact

- Grant types are assigned at the time of proposal. At that time, it might be unknown if a grant is a perpetual grant or a limited time grant. A grant type cannot be reassigned during the life cycle and can lead to inaccurate reporting.
- Out going pass-through grants must have a unique grant type for successful processing in the system.

Recommendation

- Reconsider and possibly eliminate use of the perpetual grant type.
- Consider using a flexible field on the grant master data if there is a need to track grants by time base.
- Create a grant type for outgoing pass-through grants.

Finding Risk Level Medium

Address-By Date Early in realization

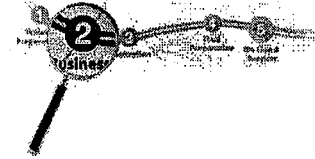
Customer-Defined Fields in Grant Master Data

Finding

There is no plan for the City to use customer-defined fields. The GM team has completed mapping of the available grant master data fields, but has not yet done the field mapping for the required reports.

Potential Impact

- Inability to track and report all required dimensions. Potential to have to use an offline tracking system to track grants by an Integrated Disbursement & Information System (IDIS), a HUD requirement, to meet required reporting needs.
- Some needed reporting data will not be fit into the



current design.

Recommendation

- Reconsider the current mapping of the fields in light of the needed dimensions for the reports. Complete the needed organization of the Schedule of Federal Expenditures and the Community Development Block Grant (CDBG) Activity Summary report and the tracking for Federal Homeland Security reports and HUD.
- Complete the functional specifications for all custom reports and validate all field mapping.
- Explore use of the business data tool set provided by SAP to create customer defined fields for grant reporting.

Finding Risk Level Medium

Address-By Date Early in realization

Derivation of Sponsored Program

Finding

The City has defined the derivation strategy for sponsored program as a combination of fund center, funded program, and functional area.

Potential Impact

A unique combination of the three objects requires the creation of many FM objects. The most likely object to be recreated is the functional area, which is usually a derived or defaulted object. It might require creation of many funded programs essentially to represent the sponsored program. A funded program **can be derived only** in a posting, and fund centers and functional areas are usually at a very high level of posting.

Recommendation

Use controlling objects; internal orders, and WBS elements to derive sponsored programs. Internal orders will be created for grant use and they can derive not only the sponsored programs but also the grant.

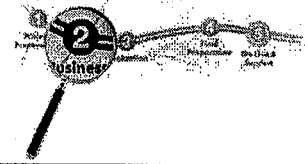
Finding Risk Level High

Address-By Date Early in realization

Sponsored Program for CDBG Grants

Finding

The City plans to develop a custom mapping table to track IDIS activities for the CDBG grants for reporting.

*Potential Impact*

- Additional maintenance activities.
- The end results are invisible to end user.
- Standard reports might not provide as much information as needed for custom reports.

Recommendation

Create detailed mapping of CDBG grants using the sponsored number to include an aspect of the IDIS activity number and reconsider use of custom tables.

Finding Risk Level

High

Address-By Date

Early in realization

Grant Award Type*Finding*

The City is using the award type field to categorize grants based on legacy data design. It has no real understanding of why bike-lane grants must be broken out. Grant groups can be used for reporting.

Potential Impact

- Award type is a field that can be used to categorize grants for the Schedule of Expenditures of Federal Awards (SEFA) report and future account determination if and when resource-related billing is implemented.
- Grants that use master data elements for noncontrol purposes are more appropriate in a grant group.

Recommendation

Revisit the planned use of the award type field once complete mapping is done for the required federal reporting specifications.

Finding Risk Level

Medium

Address-By Date

Early in realization

Grant Life Cycle: Out-Going Grants*Finding*

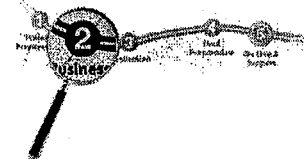
The City plans to use out-going grants, but this life cycle has no process flow.

Potential Impact

Configuration based on an incomplete design might be incorrect if the process flow is not designed.

Recommendation

Complete a process flow for the out-going grants.



Finding Risk Level Medium

Address-By Date Early in realization

Grant-Funded Assets

Finding Grant-funded assets will be purchased or constructed, but there is no plan to address depreciable lives that are longer than the grant life. The grant life-cycle processes should be updated to include the asset processes: depreciation, retirement, transfer, and so on.

Potential Impact The depreciation postings will post incorrectly if the grant is not set to the appropriate status.

Recommendation Develop a custom user status for grants that have depreciable lives longer than the grant life.

Finding Risk Level High

Address-By Date Early in realization

Grant Ledger

Grant Ledger Design

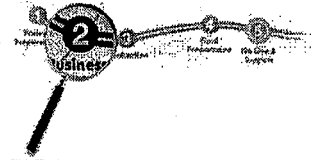
Finding The blueprint does not contain a design for grant-ledger balancing and splitting.

Potential Impact Grant ledger 90 is the grant reporting and budgeting ledger. If it is improperly designed, configured, and tested, reporting and tracking requirements might be inaccurate.

Recommendation Add the dimensions that are split and balanced on (examples: grant; fund; and controlling objects of cost center, internal order, and WBS elements) to the ledger for reporting.

Finding Risk Level High

Address-By Date Before realization begins



Grant Budgeting

Budgeting Process

<i>Finding</i>	The grant budgeting process must be addressed in detail with a focus on all different types of grant budgets. Budgeting will be manual in the budget office for all grant budgets, which might mean a dramatic increase in workload for follow-on years. There is no carryover function in the current system. It will be handled in the new design and should be addressed.
<i>Potential Impact</i>	Redesigning the grant budgeting processes at a later date might lead to reconfiguration of the system.
<i>Recommendation</i>	Coordinate the grant budgeting process with the City's overall budget plan and the capital budgeting plan and document it in a detailed process.
<i>Finding Risk Level</i>	Medium
<i>Address-By Date</i>	Early in realization

Grantor Functionality

Use of Grantor Functionality from SAP

<i>Finding</i>	Discussion about using the grantor functionality from SAP. The requirements for grantor are not fully documented.
<i>Potential Impact</i>	The grantor functionality requires the implementation of the SAP Customer Relationship Management (SAP CRM) application. Use of SAP CRM is currently not in scope.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Clearly document the business requirements for grantor functionality. ▪ Explore use of an application from Business Objects, an SAP company, to meet strictly demographic requirements.
<i>Finding Risk Level</i>	Low
<i>Address-By Date</i>	Early in realization



Grant Life Cycle

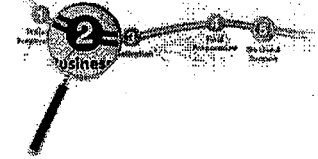
Grant Life-Cycle: Business Process Reengineering

<i>Finding</i>	The grant life-cycle process proposed changes to the design of business process reengineering (BPR) that have not yet been approved by the City Council.
<i>Potential Impact</i>	There is a possibility that the BPR might revert to the current administrative guidelines for grant regulations and that there might be a need to modify the process flow. That could require rework of some integrated processes.
<i>Recommendation</i>	<ul style="list-style-type: none"> ▪ Ensure that a timely decision is made and that the grants management design is adaptable if the BPR recommendations are not adopted. ▪ Track resolution of this issue on the centralized issues list. ▪ Set a deadline for a decision and monitor its impact on the grants process.
<i>Finding Risk Level</i>	High
<i>Address-By Date</i>	As soon as possible

Grant Billing Process

Grant Billing Process

<i>Finding</i>	<ul style="list-style-type: none"> ▪ The design for grant billing is completely in the accounts receivable module. ▪ Grant manual billing and the grant ledger design require preparation for the use of resource-related billing in the future and of manual billing. There is no specific process flow or documentation for how grants will be billed. ▪ Grants can be billed on a payment or expense basis: no plans exist for these options. ▪ Payroll billing has unique requirements that must be documented. ▪ The billing process must consider payment for amounts that differ from those billed (disallowed costs). ▪ The report listed for use in grant billing must be tested to see if it works for a completely manual
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process.

Potential Impact

- An incomplete design can require reconfiguration or additional development.
- Assumptions about the overall process might have gaps that will not be identified in a timely manner.
- A delay in completing the realization phase to finish the billing design.

Recommendation

- Develop a grant-specific and complete billing process from expense or payment trigger to final payment received.
- Include all tools, reports, and integrated processes (Federal draw-down) that must be tested.
- Include scenarios for disputes and any unique billing requirements.

Finding Risk Level High

Address-By Date As soon as possible

Grant Data Conversion

Legacy Data Conversion

Finding

- A number of outstanding grants have not been cleaned up in the legacy tracking system.
- A determination of inception-to-date or current-fiscal-year-only data conversion must be made.

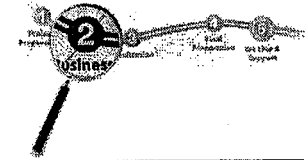
Potential Impact

- Inability to map data for conversion into GM.
- Data conversion strategy might affect reporting requirements.

Recommendation

- Ensure that all data clean-up occurs in the legacy systems.
- Begin the data clean-up effort immediately with the assistance of the grants management team. Note that the grants team will not have the time to perform the actual clean-up.
- Log this issue with the management team and manage it with the legacy data owners.
- Decide on data conversion and address the reporting requirements that are affected.

Finding Risk Level High



Address-By Date As soon as possible

Grant Life Cycle

Integration with Other Modules

Finding

- The grant blueprint documents address integration with other modules: assets, funds management, project system, controlling, and financials at a very high level.
- Additional process design decision details are needed.
- Integration is not currently addressed in a timely manner: integration meetings have been cancelled for the "last two months."
- For example, multifunded grant capital projects are within the grants management reporting requirements but there is no consensus among the team how to handle this issue.
- Interest allocation to grants has not yet been designed and validated with the grants management team for integration purposes.
- The use of standard or actual rates has not yet been communicated to the grants management team for validation of design.

Potential Impact

- An incomplete integration design could lead to unmet requirements and potential rework for all the affected modules.
- The design of the billing standard rates or actual might affect the ability to be fully reimbursed for all grant expenses.
- Design of the interest allocation should include grants management to ensure compliance with grantor requirements.

Recommendation

- Appoint a team member as integration manager. The team member should be an SAP-Certified Integrator for SAP for Public Sector.
- Maintain an integration issues list in sufficient detail to allow priority of scheduling the solution to the issues.
- Set deadlines for integration decisions and monitor them for their impact on the grants process.